

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7000

BILL NUMBER: HB 1130

NOTE PREPARED: Jan 3, 2010

BILL AMENDED:

SUBJECT: CRED Districts.

FIRST AUTHOR: Rep. Tyler

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill authorizes a third area in Delaware County for designation as a Community Revitalization Enhancement District (CRED). It provides that the area must contain a building with at least 1,000,000 square feet, and that at least 700 fewer people are employed in the area than were employed in the area on January 1, 2008.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill authorizes a third area in Delaware County for designation as a CRED. Under current law, the state Budget Committee must review and make a recommendation to the State Budget Agency (SBA) after they are notified of the local resolution designating a CRED. The SBA must approve the resolution designating the district. However, if the SBA fails to take action within 120 days of the date the resolution is submitted to the Budget Committee, the resolution is considered approved. The Department of State Revenue (DOR) must calculate the base income tax amount and the base gross retail amount for the district. The DOR and the SBA must annually estimate and certify the amount of income tax and sales tax which will be collected from the district.

Explanation of State Revenues: *Community Revitalization Tax Credit:* Under current statute, a taxpayer who makes a qualified investment for the redevelopment or rehabilitation of property located within a community revitalization enhancement district (CRED) is entitled to this tax credit. The credit is based on 25% of the qualified investment. The credit may be used to reduce the taxpayer's tax liability against the AGI Tax, the Financial Institutions Tax, or the Insurance Premiums Tax. The taxpayer may carry any excess credit over to the immediately following years, but is not entitled to a carryback or refund of any unused credit. A taxpayer is not entitled to a credit if they substantially reduce or cease to operate in another area of the state

in order to relocate within the district. No data was available for the revenue loss attributable to this tax credit, so the revenue loss from potential additional credits is indeterminable.

CRED Income and Sales Tax Increment Allocations: Current statute provides that a CRED must terminate not later than 15 years after incremental income or sales taxes are first allocated to the CRED. The State Budget Agency must approve the resolution designating a CRED before incremental income and sales taxes may be allocated to an area designating a CRED. If the approval is obtained for the new CRED, the state would forgo any new income or sales tax revenue up to \$1 M per year that is generated by the development in the new CRED.

Revenue from the AGI tax, the Financial Institutions Tax, and the Insurance Premiums Tax is deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Background Information -

Community Revitalization Enhancement Districts: Under current statute, CREDs may be established in certain specified local units, and in 1st and 2nd class cities. CREDs are allowed to capture incremental revenue from Sales Tax, state Income Tax, and local option income taxes. A local resolution to designate a CRED must be reviewed by the State Budget Committee and approved by the State Budget Agency. Under provisions allowing CREDs in specific local units, there are currently seven operational CREDs: Bloomington (2 CREDs), Delaware County, Fort Wayne, Marion (2 CREDs), and South Bend. The annual capture limit for each of these CREDs is \$1 M. Under provisions allowing CREDs in 1st and 2nd class cities, only one CRED, in Indianapolis, is operational. The Indianapolis CRED did not capture any revenue in FY 2007. In addition 17 2nd class cities may establish a CRED, but only Anderson has been approved for a CRED. The annual capture limit for the CREDs in 1st and 2nd class cities is \$750,000.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue, State Budget Agency, Budget Committee, State Treasurer.

Local Agencies Affected: Delaware County.

Information Sources:

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